

TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE



**FISCAL NOTE**

**HB 555 – SB 585**

March 8, 2021

**SUMMARY OF BILL:** Extends the prohibition on new nursing home beds, except for 125 Medicare skilled nursing facility beds, to June 30, 2025. Extends the period of time that a certificate of need (CON) is valid for nursing home projects from two years to three years. Deletes various special provisions for partial relocation of nursing home facilities and beds.

**ESTIMATED FISCAL IMPACT:**

**Forgone State Revenue – \$515,700/Each Year FY21-22 through FY24-25/  
Nursing Home Assessment Trust Fund**

**State Expenditures –  
Cost Avoidance - \$2,293,800/Each Year FY21-22 through FY24-25**

**Federal Expenditures –  
Cost Avoidance - \$4,511,800/Each Year FY21-22 through FY24-25**

**Assumptions:**

- Based on information provided by the Health Services and Development Agency (HSDA), extending the period of time a CON is valid for nursing home projects will not decrease the number of CONs issued; therefore, no significant impact to CON revenue or HSDA.
- Pursuant to Tenn. Code Ann. § 68-11-1622(a), the number of new nursing home beds for which certificates of need may be issued by the HSDA from June 30, 2016 to June 30, 2021 is limited to 125 beds. This will extend the current limitation for an additional four fiscal years.
- There is a potential annual bed growth of 100 beds for Medicaid eligible individuals if the provisions of the bill are not enacted.
- The nursing home assessment, enacted pursuant to Public Chapter 859 of 2014, is based on facilities paying on non-Medicare bed days. Medicare pays approximately 15 percent of the state's nursing home days; therefore, forgone revenue is based on potential growth of 85 beds [100 beds – (100 beds x 0.15)] from which the state would collect assessment revenue in the absence of the proposed bill.
- According to the Division of TennCare, there are approximately 316 total facilities paying the following assessment rates:

- 12 facilities, or approximately 4 percent, pay a daily rate of \$8.64 per licensed bed;
- 32 facilities, or approximately 10 percent, pay a daily rate of \$10.37; and
- 272 facilities, or approximately 86 percent, pay a daily rate of \$17.72.
- The state will forgo any increased revenue from the nursing home assessment. Applying these rates to the potential growth of 85 beds, the total forgone revenue is estimated to be \$515,691 based on the following amounts:
  - \$10,722 (85 beds x 4.0% x \$8.64 x 365 days);
  - \$32,173 (85 beds x 10.0% x \$10.37 x 365 days); and
  - \$472,796 (85 beds x 86.0% x \$17.72 x 365 days).
- The average nursing facility daily reimbursement rate is \$219.36 . TennCare will avoid an increase in expenditures estimated to be \$6,805,644 (85 beds x \$219.36 x 365 days).
- Of the \$6,805,644 in avoided costs, \$2,293,842 would be state funds at a rate of 33.705 percent and \$4,511,802 would be federal funds at a match rate of 66.295 percent.
- The proposed legislation extends the moratorium for a period of four years. For purposes of this analysis, all rates are assumed to remain constant over this period of time.

## **CERTIFICATION:**

The information contained herein is true and correct to the best of my knowledge.



Bojan Savic, Interim Executive Director

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